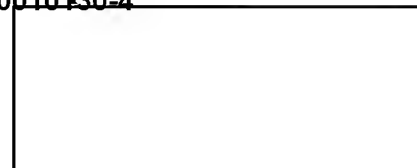


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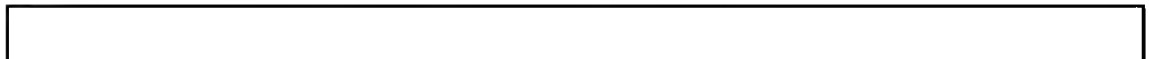


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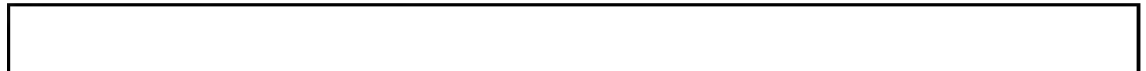
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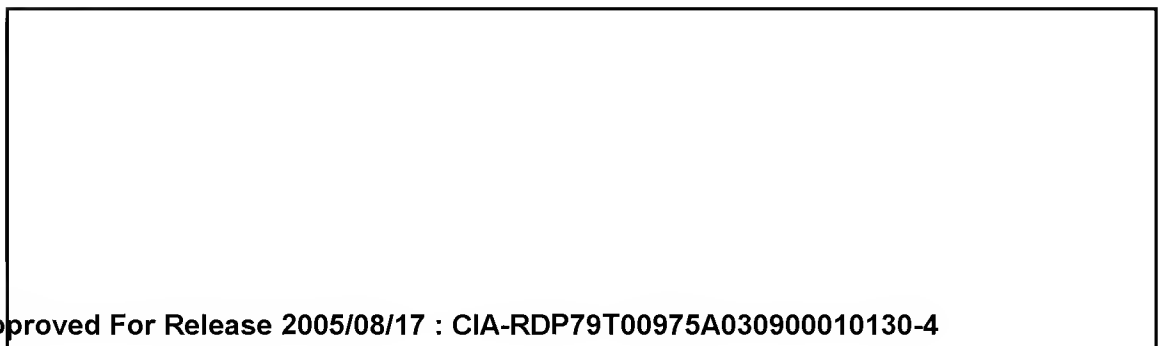
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WEST GERMANY: Fast Breeder Reactor

West Germany's fast breeder reactor program is now back on track, but it is likely to remain a thorny political issue for Chancellor Schmidt's government for some time. The junior coalition partner, the Free Democrats, proved troublesome during the Bundestag debate last week that ended in a vote narrowly endorsing the renewal of construction at the Kalkar plant. The Bundestag left unanswered the timing and conditions for resuming construction and avoided a potentially divisive decision on the actual operation of the plant--issues that are certain to spur renewed public debate on the role of nuclear energy in West Germany.

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The Bundestag action followed an earlier court ruling that set aside a legal challenge to the 300-megawatt reactor at Kalkar in North Rhine - Westphalia; the challenge had held up construction since July. The Social Democratic - Free Democratic coalition turned back an opposition motion to give full approval to the Kalkar plant but had to put heavy pressure on six Free Democrats to avoid a defeat of its own qualified measure. The six were influenced by antinuclear sentiment in the party's rank and file. Only last-minute resignation threats by party leaders, including Foreign Minister Genscher, persuaded the recalcitrant Free Democrats to abstain, thus allowing the government measure to pass by five votes and averting a coalition crisis.

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There is widespread support in the Bundestag for fast breeder technology. The opposition Christian Union parties, representing nearly half of the Bundestag, are strongly behind the Kalkar project, while most Social Democrats, the senior coalition partner, also back the effort. The government's slim 11-seat majority in the Bundestag, however, makes it highly susceptible to pressure on such issues from small groups in both coalition parties when the opposition chooses to challenge along party lines.

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The completion of the plant at Kalkar, even if construction resumes immediately, may well slip past its 1981 target date. Minister President Rau of North Rhine - Westphalia could have some difficulty in getting his divided cabinet to approve a permit for the third phase of construction, although officials in Bonn believe the project will get state approval.

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25X1 Although the West Germans do not expect their first commercial fast breeder reactor to be ready until 1990, they are clearly committed to the development of fast breeder technology as an integral part of their long-term strategy on energy. [REDACTED]

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ARAB STATES - ISRAEL: Treaty

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Egyptians are reacting to the missed deadline for an Egyptian-Israeli treaty by emphasizing the difference between the US and Israel and trying to portray the US position as completely in accord with Egypt's. In Israel, there has been an outpouring of criticism of US negotiating tactics from all sides. Official reaction from other Middle East governments has been sparse, but the general mood among them is one of relief that they, at least temporarily, do not have to face a signed treaty.

In an interview given over the weekend, Egyptian President Sadat projected a calm and optimistic attitude but strongly implied that Egypt would stand firmly behind its demand for linkage between the two accords and on the priority of its treaty obligations. Egypt is prepared, he said, to wait for Israel to change its position. Government officials and the press in Egypt have generally tried to keep their commentary from further disrupting the negotiating atmosphere, but there have been direct criticisms of Israeli Prime Minister Begin reminiscent of previous Egyptian efforts to single out and undermine the Israeli leader.

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The current impasse in negotiations serves Sadat's purposes in several ways. It dramatizes Egypt's efforts on behalf of a comprehensive settlement and highlights what Egypt hopes will be interpreted by the other Arabs as a closer alliance between Arab and US interests at the expense of Israel. We expect that the Egyptians will play up these themes and that Sadat will not push any new initiative until he sees some give in Israel's attitude.

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In Israel, both coalition and opposition leaders have accused Washington of exerting unfair pressure on Tel Aviv and conspiring with Egypt. In this charged atmosphere, the cabinet's rejection of the latest peace proposals has undoubtedly boosted Begin's stock among Israeli hawks. By the same token, however, the public outcry against the US will make it harder for Begin and his cabinet colleagues to show further flexibility.

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[redacted]

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The prospect that it would have a tough fight in obtaining ratification of the treaty probably played a decisive part in the cabinet's rejection. Indeed, sentiment against any treaty that includes a provision for the west bank autonomy plan has been growing steadily in the opposition Labor Party, on which Begin has become dependent for support on peace treaty issues. [redacted]

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Israeli leaders may believe that standing up to US pressure will improve their bargaining position and ease their problems in gaining ratification by the Knesset later. In any event, when Begin appears before the Knesset today, he is expected to demand that the US revert to its "true" mediator role and that Egypt modify its demands. Begin can count on strong bipartisan support for such a position. [redacted]

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Saudi Arabia and other moderate Arab states are probably relieved to escape for now a development that they believe would have split the Arab world, isolated Egypt, and forced them to choose sides more clearly. In recognition of these concerns, the Saudis had been urging Sadat to delay talks. Suspension of the talks also temporarily relieves the Saudis from demands by Iraq, Syria, and others that they impose the sanctions against Egypt voted at the Baghdad Summit if it signs a treaty with Israel. [redacted]

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Leaders of the Palestine Liberation Organization probably hope that the current impasse will mark the end of the Camp David accords, which the PLO leaders believe do not adequately provide for their future control of the occupied territories. Some influential Palestinians may also hope that the delay is the first step in Egypt's regaining its former influence in the Arab world--a development that would once again offer the PLO an alternative to its uncomfortably close relationship with Syria. [redacted]

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Syria has not reacted publicly. It will presumably continue its standard propaganda line that Egyptian-Israeli differences over a peace agreement are artificially created by the US, Egypt, and Israel to mask a separate agreement. [redacted]

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[Redacted]

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SOUTH AFRICA: Urban Terrorism

The frequency of terrorist acts of sabotage has increased noticeably in the Johannesburg area during the past three weeks. There is no indication that widespread urban violence is imminent in South Africa, but the flurry of low-level incidents indicates a pattern of urban violence that is gradually increasing despite extensive government security precautions.

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Last year, there was a spate of urban bombings during the Christmas season: a large shopping center in Johannesburg and several police stations were damaged. The incidents this year appear to consist more of deliberate sabotage than of wanton terrorist attacks that produce a backlash from both the white and the black communities. Thus far, the Soweto Community Council building, a symbol of government authority to many urban blacks, has been bombed. A depot supplying government-owned beer halls for blacks was also set afire, and a large dynamite factory near Johannesburg was extensively damaged.

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In October, the Minister of Justice warned the white population to expect increased terrorism, particularly from the African National Congress, the largest of the exiled liberation organizations. During November, the government publicly acknowledged on two occasions that trained guerrillas were infiltrating South Africa from neighboring states. The police have begun a series of arrests of urban blacks, and they can be expected to mount larger security crackdowns if the sabotage continues.

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USSR: Agricultural Research

The USSR is looking to its Academy of Sciences for greater assistance in improving the nation's agricultural performance. Despite the record-breaking grain harvest of 235 million tons this year, Soviet planners recognize that a significant increase in technological know-how, improved management techniques, and more effective agricultural research are necessary to meet ambitious goals established for the next few years.

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Earlier this month, Agriculture Minister Mesyats and newly elected Party Secretariat member Mikhail Gorbachev--who has succeeded the late Fedor Kulakov as the party's chief overseer for agricultural matters--attended a special meeting of the Academy held to discuss its role in agricultural development. The Academy does not now have an agricultural department among its 16 functional research units. The collaboration of Academy researchers with specialists in the Agriculture Ministry and other government bodies concerned with agriculture has generally been limited and ineffectual because the Academy has been reluctant to devote as much of its resources to applied economic and agricultural programs as the party would like.

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The special meeting of the Academy on agricultural questions took place only nine days after Gorbachev's appointment to the Secretariat, suggesting that one of his first priorities in his new role may be to integrate the Academy into the nation's agricultural research efforts. As a result of this meeting, the Academy is now drawing up a draft program that will specify areas requiring greater Academy attention in the development of Soviet agriculture through 1985.

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CHILE: Economic Reform Program

The Pinochet government's thoroughgoing economic program has reversed former President Allende's socialist revolution and transformed Chile into a market-oriented, free-trade economy. Chile has restored economic growth, stopped rampant inflation, and at least temporarily eliminated payments problems. Industry and agriculture are becoming more internationally competitive, the country is now living within its means, and its overriding dependence on copper exports has been greatly reduced. With US bankers and businessmen in the vanguard, growing international business confidence in the junta's program has paved the way for new loans and new direct investment, enabling the junta to relax austerity policies that have hit hard at the poor.

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The junta's program has touched every aspect of the economy. Policymakers have slashed government spending and reduced state involvement in the economy. The junta has decontrolled prices of industrial products, restrained wages, and boosted agricultural production in part by ending land reform. The government has reestablished Chile's international credit rating and improved its international payments position. It has also moved to revitalize the industrial base and to generate new jobs.

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The poor and workers, who have borne the brunt of the stabilization program, still represent a source of potential social and economic unrest. The complete abandonment of price controls has raised the cost of essential goods, while tariff reforms and austerity measures have helped to keep unemployment at a high level. Real earnings of miners, utility workers, and government employees, moreover, have not yet regained 1970 levels. The Pinochet regime is forestalling social unrest by restricting political liberties, maintaining strict labor discipline, implementing a public works program, and increasing spending on social services for the poor.

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Any of several potential problems--the results of the US investigation of Orlando Letelier's murder, an armed conflict with Argentina over the Beagle Channel, or the Regional Inter-American Labor Organizations planned boycott of Chilean products--could trigger international payments problems next year. We nonetheless expect the economic gains and structural improvements of

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the economic program to continue. To maintain economic growth in the 6-percent to 7-percent range beyond next year, however, the Chilean junta must take steps to boost domestic savings and investment from their still relatively low levels.

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BRIEFS



India

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India's lower house of parliament may soon vote on a government motion that could send former Prime Minister Gandhi to jail for the remaining 10 days or so of the current session and possibly deprive her of the parliamentary seat she won in November. [REDACTED]

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The anticipated vote will climax a heated debate on Prime Minister Desai's tough motion to punish Gandhi for alleged contempt of parliament. A parliamentary committee recently found Gandhi guilty of having obstructed an official investigation in 1975 of her son Sanjay's car manufacturing project. [REDACTED]

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Desai reluctantly bowed to pressure from the anti-Gandhi hardliners, who apparently dominate his Janata Party's majority in the lower house. He personally agrees with more moderate party members who hold that expelling Gandhi from parliament will simply serve her purposes by making her a martyr and the focus of nationwide attention. If Gandhi is expelled, she could seek reelection and would probably win by an even larger margin. [REDACTED]

There is other squabbling within the Janata Party because Desai has been unable to achieve a reconciliation with ambitious former Home Minister Singh, whom Desai dropped from the Cabinet last June. Singh is planning a

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public demonstration in New Delhi on Saturday to demand more benefits for the peasants of northern India--the backbone of Singh's support [redacted]

Pakistan

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A personal appearance by former Prime Minister Bhutto before the Pakistani Supreme Court yesterday could mark the beginning of the final stage of his appeal trial. Both the prosecution and the defense have completed their arguments, and Bhutto--sentenced to death for political murder earlier this year--requested that he be allowed to make his own concluding remarks before the seven-man tribunal. He is scheduled to continue his statement today. [redacted]

If the Supreme Court upholds the death sentence--and it is likely to do so--President Zia could bow to international pressure and spare the former Prime Minister's life. Clemency would, however, further erode Zia's support within the military and might give senior officers--already disenchanted with Zia's performance as President--enough cause to remove him from power. [redacted]

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USSR

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A Soviet delegation headed by Mikhail Solomentsev, Premier of the Russian Republic, traveled to Yugoslavia yesterday. The Soviets had earlier postponed Solomentsev's trip, originally scheduled for September, after the visit to Yugoslavia by Chinese party Chairman Hua Kuo-feng. [redacted]

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Soviet-Yugoslav relations have been strained over the past year because of continued policy differences, in addition to Yugoslavia's developing relationship with China. The rescheduling of Solomentsev's visit reflects the USSR's willingness to put a better face on relations with the Yugoslavs. [redacted]

The visit does not mean, however, that either side has set aside differences over China. Yugoslav media commentators last week sternly criticized a recent article in the Soviet party Central Committee's journal *Kommunist* for its "improper and malicious" statements about the Yugoslav-Chinese relationship. This polemic could

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chill the atmosphere for Solomentsev in Belgrade and obstruct chances for a meeting between Presidents Tito and Brezhnev, which was also postponed this fall. [REDACTED]

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Spain

The regional government in the Basque area of Spain--the council set up under provisional autonomy statutes early this year--last night called for talks with the Basque terrorist organization ETA. There is little chance that the terrorists, who have killed over 30 people in stepped-up attacks since 1 October, will respond favorably. [REDACTED]

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The regional government, which is dominated by Socialists and Basque Nationalists, also urged political parties and labor unions in the region to organize peace demonstrations during the next two months. Such a demonstration was carried out peacefully in Bilbao last month; on its fringes, however, countermarches by ETA sympathizers led to clashes with police. [REDACTED]

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The regional government's initiatives may simply reflect an effort to improve its image prior to negotiations with Madrid on a final autonomy statute under the new constitution. If the government is sincere, however, its initiatives could represent an important step toward isolating ETA and its sympathizers from moderate Basques who so far have been reluctant to condemn the terrorists outright. [REDACTED]

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In the long term, a polarization of Basque political forces could help to break the deadlock in relations between the central government and the moderate Basques. In the short term, whatever the motives of the regional government, the proposed rallies could easily lead to confrontations and a new cycle of violence in the Basque region. [REDACTED]

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